

2001 — First Look at the Possibility of Building

Unit III

IPSC

Filter Bag Replacement Program — The five-year job of replacing all the bags in the baghouse started in May 1996 and ended in March, three months ahead of schedule. This replacement job was one of the largest on-going jobs undertaken by IPSC employees.

Each baghouse consists of three casings, with 16 fabric filter compartments per casing. Each compartment contains 396 of the 12-inch diameter, 32-foot long bags. That makes 19,008 bags per unit—38,016 bags total for both units.



Plans to Upgrade Unit I and Unit II High-Pressure Turbine — For over a year, activities have

been moving forward with the planned installation of the High-Pressure Turbine retrofit them during the next major planned outages.

A contract was signed with Alstom to manufacture the new turbine inner shell and rotor. The new High-Pressure Turbine has the potential to add up to 75 MW of additional capability per unit. This would allow the project to generate a gross capacity of approximately 950 MW per unit. In order to achieve this additional load, other areas in the station will be upgraded, to achieve additional capacity, over the next two years.

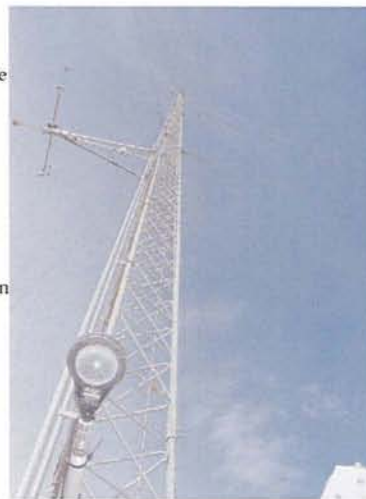
Change of Auditors for Saving and Retirement Plans — The contract for auditing the IPSC Saving and Retirement Plans was rebid for the first time in 16 years. Since the plans were first funded, the firm of Coopers and Lybrand had been performing the audits. Coopers and Lybrand later merged with Pricewaterhouse. The new firm was called PricewaterhouseCoopers. Audits during these years were conducted as required by the Internal Revenue Service to support the filing of Federal Tax Form 5500. It was determined that a review of the cost of these audit services was in order. IPSC placed a request for bid for auditing services with local, regional, and national firms. Deloitte and Touche was selected as the new auditors.

Two Groups of Laborers Hired — Ten laborers were hired in May and thirteen laborers were hired in November.

Production Incentive Program — IPSC employees earned 75.7 percent of targeted goals for an award of 3.78 percent of their annual base wage.

Mutual Gains Negotiation — A new labor contract was signed on June 21, 2001. A term of the new contract called for the parties to engage in a process called Mutual Gains Bargaining. The initial training took place in October. About two dozen hourly and two dozen salaried employees took part in the training sessions. Follow-up training will normally take place each week until all employees have a basic understanding of the Mutual Gains process. A labor management committee will meet to outline what happens next.

Meteorological Tower — Gathering meteorological data, which would be used to apply for various permits to build Unit III, was given a major boost when a tower was built to support the necessary equipment. The tower was built on the west end of the main work area. Approximately one year of data will be recorded and available for review by the approving governmental agencies before applying for a permit. Maintenance of the meteorological equipment and collection of the data is the responsibility of the environmental group. The data gathering is only one of many activities that will need to be done prior to making a decision to build Unit III.



**Retirement of
President and Chief
Operations Officer —**

S. Gale Chapman,

President and Chief Operations Officer, announced that he would retire at the end of the year. Since Mr. Chapman was the first IPSC employee, he has basically built the company from the ground up. This change in the top management position will be the first time, since he was hired in October of 1982, that someone other than Mr. Chapman has served as the president of IPSC.

Annual Laborer Test — The annual laborer test for 2001 was given the day after Labor Day on September 4. More than 300 people signed up to take the test. The actual number who took the test was 299 and, of that number, 49 passed. Some candidates from that group and some who were left over from the group last year were interviewed.

Governor's Wellness Award — The IPSC employee wellness program, Staywell, received recognition as one of the best programs in the state. The Governor's award recognizes three levels of participation and company effort, lowest is bronze, next silver, and the highest is gold. The Gold Level Award was presented to the program for the year 2001. This makes three years in a row that the program has earned the Gold Level Award.

Cooling Water Pipeline Repair — In the spring, a leak in the 84-inch water line used to re-circulate cooling water was discovered. Corrosion was determined to be the major cause of the problem. The corrosion was limited to about ten feet of pipe. The solution was to weld the full circumference of the pipe and reinforce it with bolted external steel bands coated with gunite. A mortar-coated steel elbow also needed to be repaired. A galvanic anode was installed to arrest corrosion on the steel elbow. These repairs were accomplished using the skills of IPSC employees. The repairs will ensure that the cooling water pipeline will serve as originally intended for many years to come.



Number of Employees — The number of employees is 492.

LADWP

Change of Leadership — Recruitment for a new President and Chief Operations Officer started when Mr. S. Gale Chapman gave his notice of resignation to be effective the end of this year. The IPSC Board of Directors will interview candidates to select the next president.

IPA

Financing — June 30, the current weighted average borrowing cost was 5.18 percent.